Excise and GST/HST News

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Ships' Stores Regulations

Prior to April 1, 2008, the *Excise Tax Act* (the Act) provided for an excise tax exemption in the case of the alcohol portion of gasoline-alcohol and diesel-alcohol blended fuel and bio-diesel fuel, whether blended or not. These exemptions were repealed April 1, 2008.

The Government is proposing to amend the Schedule to the *Ships' Stores Regulations* to include renewable fuels in the list of goods that qualify as ships' stores. The *Ships' Stores Regulations* designate certain classes of goods as "ships' stores" where they are consumed on board a qualifying conveyance. Such classes of goods are generally eligible for relief from the duties and taxes normally imposed. The current list of goods eligible for exemption includes "petroleum products" but does not extend relief to renewable fuels. The Government is proposing to amend the *Ships' Stores Regulations* to extend the exemption to all types of fuel, including renewable fuels, when they qualify as ships' stores. For excise tax purposes, it is proposed that the amendment be retroactive to April 1, 2008.

However, until the amendments to the *Ships' Stores Regulations* are adopted such that renewable fuels are included on the list of goods that qualify as ships' stores, such fuels must be purchased on an excise tax-paid basis.

At such time as the amendments to the *Ships' Stores Regulations* may be adopted, qualified purchasers will be eligible to file a form N15, *Application for Refund/Deduction of Excise Taxes*, directly with the CRA, retroactive to April 1, 2008, pursuant to subsection 68.01(2) of the Act. All end-user refund claims must be submitted within two years from the date of purchase.

For more information please see Excise Taxes and Special Levies Notice ETSL69, *Proposed Amendment to the Ships' Stores Regulations to Include Renewable Fuels*. Please call Excise Duties and Taxes 1-866-330-3304 for questions relating to your particular circumstances.

Notice to vendors and Nisga'a citizens

The transitional GST/HST relief provided to qualifying Nisga'a citizens expired May 31, 2008.

As of June 1, 2008, everyone will be subject to GST/HST when acquiring taxable supplies on Nisga'a lands that formerly were reserve lands, or on a reserve elsewhere.

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Nisga'a citizens living in the urban locals of Prince Rupert/Port Edward, Terrace and Greater Vancouver or elsewhere in Canada are also now subject to GST/HST when goods are acquired on a reserve.

The transitional relief provided under the *Nisga'a Final Agreement Indian Remission Order* remains in effect for all other taxes until December 31, 2012.

Nisga'a lands that were former reserves in British Columbia include:

- the Nisga'a Village of New Aiyansh,
- the Nisga'a Village of Gitwinksihlkw,
- the Nisga'a Village of Laxgalt'sap, and
- the Nisga'a Village of Gingolx.

Health care professionals

Exemptions from the GST/HST for supplies of medical and certain other health care services are limited to those listed in the *Excise Tax Act* when they are rendered to individuals by regulated health care professionals who are identified in the Act. These professionals are "medical practitioners" and "practitioners" as defined in the Act. In addition, the Act exempts certain services provided by registered nurses, social workers, and dental hygienists.

Exempt services

A supply of a consultative, treatment, diagnostic or other health care service rendered by a "medical practitioner" to an individual is generally exempt. A "medical practitioner" for purposes of the GST/HST means a person who is licensed under the laws of a province to practise the profession of medicine or dentistry.

A supply of any of the following services is exempt if the service is rendered to an individual by a "practitioner" of the service:

- optometry services
- chiropractic services
- physiotherapy services
- chiropodic services
- podiatric services
- osteopathic services
- audiological services
- speech-language pathology services
- occupational therapy services
- psychological services
- dietetic services
- midwifery services

A "practitioner" for purposes of the Act is defined to mean a person who practises the profession of any of the above services and who is licensed or otherwise certified to practise that profession (if required in the province where the service is supplied) or has the qualifications equivalent to those necessary to be so licensed or certified in another province (if not required in the province where the service is supplied).

Nursing services are generally exempt when they are rendered to an individual by a registered nurse or other licensed or registered nurse professional. Social work services rendered to an individual within a professional-

client relationship are also generally exempt when the services are rendered by a licensed or otherwise certified social work professional. If the social worker is not required to be licensed or certified in the province where the service is supplied, then the social worker must have the qualifications equivalent to those necessary to be so licensed or certified in another province.

There are also exemptions for services that are paid for under a provincial health insurance plan and for radiological, laboratory and other similar diagnostic services rendered to an individual when the service is supplied on the order of a medical practitioner or practitioner.

Taxable services

Other health care services are not exempt under the Act. While many workers in fields relating to health care may be professionals in their fields, they are not medical practitioners or practitioners for GST/HST purposes. As a result, their services are **not exempt** supplies even where, for example, the service is similar to a service that may be performed by nurses or physiotherapists. Some examples of therapists and other health care workers whose services are taxable for GST/HST purposes are:

- acupuncturists
- kinesiologists
- massage therapists
- naturopaths
- reflexologists
- homeopaths
- reiki therapists
- sports therapists
- Rolfing therapists
- traditional Chinese medicine providers
- phlebotomists
- personal support workers

More information

Please note that the onus is on service providers to determine if their supplies are exempt. Please contact GST/HST Rulings at 1-800-959-8287 for information on how GST/HST applies to your supplies of health care services.

Small supplier divisions

If a public service body or "PSB" (defined to mean a charity, non-profit organization, municipality, school authority, hospital authority, public college, or university) has to register for GST/HST or wants to register voluntarily, it has to do so as a single legal entity. Branches or divisions that are part of one legal entity cannot register separately. A PSB must take into account the total revenue of the entity to determine whether or not it has to register.

However, if a PSB has branches or divisions, its head office may apply to have each branch or division with $50,000 or less in taxable supplies designated as a small supplier division. A branch or division will qualify as a small supplier division under the following conditions:

- it has taxable supplies of $50,000 or less over the past four consecutive calendar quarters and also $50,000 or less in the current calendar quarter;
- the branch or division can be identified separately by either its location or the nature of its activities;

- separate records, books of account, and accounting systems are kept for the branch or division; and
- an earlier designation of the branch or division has not been revoked within the previous 365-day period.

Even though the PSB itself may be a GST/HST registrant, once approved, a designated small supplier division is treated as a non-registrant: it will no longer collect GST/HST on its taxable supplies (except for taxable sales of real property, capital personal property of a municipality and capital designated municipal property of a designated municipality) and input tax credits cannot generally be claimed for its purchases. To apply for this treatment, the PSB can call us or complete form GST31, *Application by a Public Service Body to Have Branches or Divisions Designated as Eligible Small Supplier Divisions*, and return it to us.

Please note that there may be other tax consequences at the time when a branch or division of a PSB becomes a small supplier division, for example, deemed tax payable on non-capital property held for consumption, use or supply primarily in the course of commercial activities and recapture of certain input tax credits. For more information in this regard, please contact GST/HST Rulings at 1-800-595-8287.

Example 1

A charity that is a GST/HST registrant has a head office and nine branches. Each branch is located in a different area of the city and keeps separate records. The charity applies to have five branches, each having annual taxable supplies of $35,000, designated as small supplier divisions. Although no GST/HST will generally be collected on the taxable supplies made by these five branches, the charity remains a GST/HST registrant and must collect GST/HST on taxable supplies made by the head office and the four branches that are not designated.

The CRA is to be notified in cases where small supplier division designations have to be updated or added.

Example 2

All of a school authority's individual schools have been designated as small supplier divisions. On July 1, 2008 one of the schools is closed. The CRA should be notified of this change.

Example 3

Municipality A has five designated small supplier divisions. Municipality A and Municipality B amalgamate to create Municipality C. In addition to notifying the CRA of the amalgamation, Municipality C would be required to make applications to have any of its branches or divisions designated as small supplier divisions.

For further information on small supplier divisions please see GST/HST Memoranda Series 2.4, *Branches and Divisions*.

Reminder for tourism industry

The Foreign Convention and Tour Incentive Program (FCTIP) was implemented effective April 1, 2007. Under the FCTIP, non-residents continue to be eligible for a rebate of up to 50% of the GST/HST paid on tour packages and non-resident tour operators continue to be eligible for a rebate of the GST/HST paid on accommodation that they resell as part of a tour package. You can find specific information on the FCTIP in GST/HST Info Sheets GI-026 to GI-033 and GI-044, available on the CRA Web site.

As a service to your customers, you may want to confirm that your Web sites and brochures reflect the current information and remove any outdated information. For example, since the FCTIP does not provide a rebate of GST/HST paid on goods exported from Canada by non-resident visitors, please ensure that the brochures available to visitors do not indicate that there is a GST/HST rebate on these goods.

Under the transitional rules for the Visitor Rebate Program, certain accommodation is still eligible for a rebate. The accommodation must have been sold to a non-resident under an agreement in writing entered into before September 25, 2006 and the accommodation must be made available to a non-resident individual before

April 2009. Please see GST/HST Info Sheet GI-026, *Visitor Rebate Program – Non-Residents Purchasing Accommodation: When is the Rebate Still Available?* for more information.

Enhancements to My Business Account

As of April 7, 2008, business owners (including partners, directors, and officers) have access to more services on My Business Account. Authorized employees and representatives can access most of the information and perform certain transactions for the business owner using the "Represent a Client" service. Business owners can authorize their employees and third party representatives to access their account information online using *My Business Account*, or with the recently revised RC59, *Business Consent Form*.

The enhanced "View account balance and transactions" service allows users to calculate an amount owing for a future date including accrued interest for GST/HST, excise accounts, and corporation income tax. Eligible registrants can now file a GST/HST return through My Business Account without a Web Access Code. You can also view and update the operating name of the business and view the direct deposit banking arrangements for all accounts. For payroll deductions accounts, the ability to view account transactions and remitting requirements has also been added.

You can learn more on how to access these and many other services by visiting www.cra.gc.ca/mybusinessaccount.

Reminder – using the new GST/HST remittance voucher

Some registrants are eligible to file their GST/HST return electronically using NETFILE or TELEFILE. These registrants may receive a GST34-2, *Goods and ServicesTax Harmonized Sales Tax Return for Registrants – for Telefile and Netfile Clients* in the mail. As of October 2007 the CRA is including the remittance voucher RC158, *GST/HST Netfile/Telefile Remittance Voucher*, in the same envelope.

Although the GST34-2 looks similar to the GST34, *GST/HST Return for Registrants*, it has a personalized access code printed on it to enable registrants to file electronically.

The RC158 remittance voucher should only be used to make a payment (if applicable) for returns filed electronically via GST/HST NETFILE or TELEFILE.

If you send your payment and an RC158 voucher to the CRA, you must also file a return either electronically or by mail. Returning the RC158 remittance voucher and payment alone **does not** fulfil a registrant's filing obligations. If you do not file (either electronically, using GST34-2 or by mail, using the GST34) you will receive a Failure to File notice.

Registrants who are not filing their returns electronically must file their returns using the paper version of the GST34. (Please note that the GST34-2 is also acceptable for filing by mail.)

Prescribed rates of interest

Effective April 1, 2007, in accordance with the recent legislative changes relating to standardized accounting, the interest rate calculations for GST/HST (as well as FNGST and FNT) and the air travellers security charge (ATSC) have been changed to harmonize with the interest rate calculations used for income tax, excise tax, excise duty (except excise duty on beer) and the softwood lumber products export charge. As of this date, amounts outstanding are subject to a new prescribed rate of interest equal to the "basic rate" plus 4%, while amounts owing to a person are subject to a new prescribed interest rate equal to the "basic rate" plus 2%.

The prescribed annual rate of interest in effect from April 1, 2008 to June 30, 2008 on overdue amounts payable to the Minister is 8%. The prescribed annual rate of interest on amounts owed by the Minister (i.e., rebates or refunds) is 6%. These rates are applicable to income tax, excise tax, softwood lumber products export charge, GST/HST and ATSC. These rates are also applicable to excise duty (except excise duty on beer) amounts payable after June 30, 2003.

The prescribed annual rate of interest respecting excise duty on beer, on amounts payable for the indicated period, is set at 6%. This rate is also applicable to excise duty (except excise duty on beer) amounts payable prior to July 1, 2003.

	Income Tax, Excise Tax, Softwood Lumber Products Export Charge, GST/HST and ATSC, Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)
Period	Refund Interest	Arrears and Instalment Interest	Arrears Interest
2008			
April 1 – June 30	6%	8%	6%
January 1 – March 31	6%	8%	6%
2007			
October 1 – December 31	7%	9%	7%
July 1 – September 30	7%	9%	7%
April 1 – June 30	7%	9%	7%

Penalties

Effective April 1, 2007, the 6% penalty was eliminated on overdue amounts of GST/HST, FNGST, FNT and ATSC. A failure to file penalty is now being charged on a return that is filed late with an unremitted or unpaid amount. This penalty is equal to: (a) 1% of the amount overdue on the return, plus (b) one quarter of the amount calculated in (a), times the number of complete months the return was overdue, starting April 1, 2007, to a maximum of 12 months.

For more information on these interest rates and penalties refer to GST/HST Info Sheet GI-024, *Harmonizing the Administrative Provisions Respecting Standardized Accounting*.

Rates of interest for previous periods are available on the CRA Web site.

What's new in publications

The following is a list of new or revised excise and GST/HST forms and publications.

GST/HST forms

B268 *Notification of Fiscal Months*

GST/HST memoranda

12-2 *Refund, Adjustment, or Credit of the GST/HST under Section 232 of the Excise Tax Act*

GST/HST notices

NOTICE232 *Notice of Change – GST/HST Memorandum 4.4, Agriculture and Fishing*
NOTICE233 *Filing an Election under Section 167.11 of the Excise Tax Act*
NOTICE234 *Nisga'a Citizens and GST/HST*

GST/HST policy statements

P-250 *Late-filed subsection 225.2(4) elections*

GST/HST technical information bulletins

B-101 *Trusts*
B-102 *First Nations Goods and Services Tax - Place of Supply*

Excise duty forms

B270 *Excise duty return – Non-Licensee*
E60 *Tobacco Products Export Form*

Excise duty memoranda

EDM3-2-3 *Labelling of Containers of Spirits*
EDM4-2-3 *Labelling of Containers of Wine* (revised)

Excise duty notices

EDN21 *Enhancements to Tobacco Compliance and Changes to Duty and Special Duty on Certain Tobacco Products*

Excise taxes and special levies notices

ETSL64 *Excise Tax on Fuel-Inefficient Vehicles – List of Vehicles and Associated Tax Rates* (revised for 2008)
ETSL69 *Proposed Amendment to the Ships' Stores Regulations to Include Renewable Fuels*

Excise taxes and special levies rates

ATSCRATES *Air Travellers Security Charge (ATSC) Rates* (revised)
CURRATE *Current Rates of Excise Taxes* (revised)

Softwood lumber products export charge forms

B253 *Softwood Lumber Products Export Charge – Registration Form*
B253-2 *Softwood Lumber Products Export Charge – Registration Supplement - Multiple Regions or Mills*
B279 *Softwood Lumber Products Surge Charge Return*

Softwood lumber products export charge notices

SWLN5 *Exporters of Softwood Lumber Products – Certification of Independent Remanufacturers*
SWLN6 *Calculating and Reporting the Surge Charge*
SWLN7 *Surge Charge - Alberta Region (March 2007)*
SWLN8 *American Consumption of Softwood Lumber Products Regulations*

All GST/HST, Excise Duty, and Excise Taxes and Special Levies publications can be found on the CRA Web site at www.cra.gc.ca/gsthsttech.

Enquiries

To make enquiries regarding your GST/HST account, call Business Enquiries at 1-800-959-5525

To make enquiries regarding the status of specific GST/HST domestic rebate claims, call 1-800-565-9353

To obtain copies of forms and publications, call 1-800-959-2221

If your business is located in Quebec, contact Revenu Québec at 1-800-567-4692 or visit their Web site at www.revenu.gouv.qc.ca

The *Excise and GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST), First Nations goods and services tax (FNGST) and First Nations tax (FNT), softwood lumber products export charge, air travellers security charge (ATSC) as well as excise taxes and duties. If you would like to receive a link to each new edition of the *Excise and GST/HST News* as it is published, subscribe to the electronic mailing list.

This publication is provided for information purposes only and does not replace the law, either enacted or proposed. Please note that any commentary in this newsletter regarding proposed measures should not be taken as a statement by the CRA that such measures will in fact be enacted into the law in their current form. For further information on any of the articles contained in this newsletter, contact your nearest Canada Revenue Agency (CRA) tax services office or call Business Enquiries at 1-800-959-5525. Comments or suggestions about the newsletter should be sent to the Editor, *Excise and GST/HST News*, Legislative Policy and Regulatory Affairs Branch, CRA, Ottawa, ON K1A 0L5.